

NSP Single Family Housing– Owner Occupied Activities

Sales price limit

Program Limit

NSP sets maximum price for units sold for owner as a primary residence:

If an abandoned or foreclosed-upon home or residential property is purchased, redeveloped, or otherwise sold to an individual as a primary residence, then such sale shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition. (Sales and closing costs are eligible NSP redevelopment or rehabilitation costs.) (Section 2301(d)(2) HERA)

1. In its records, each grantee must maintain sufficient documentation about the purchase and sale amounts of each property and the sources and uses of funds for each activity so that HUD can determine whether the grantee is in compliance with this requirement. A grantee will be expected to provide this documentation individually for each activity.

2. In determining the sales price limitation, HUD will not consider the costs of boarding up, lawn mowing, simply maintaining the property in a static condition, or, in the absence of NSP-assisted rehabilitation or redevelopment of the property, the costs of completing a sales transaction or other disposition to be redevelopment or rehabilitation costs. These costs may not be included by the grantee in the determination of the sales price for an NSP-assisted property. NSP Notice, II. J. Sale of Homes, October 6, 2009, page 58338-39)

Example

Purchase Price	\$120,000
Holding Costs	\$3,000
Activity Delivery Costs	\$5,000
Rehabilitation Costs	\$37,000
Total Eligible Costs	\$165,000
Maximum Sale Price	\$162,000

Market Limits

Establish after-rehabilitation fair market value for all properties

Assess FMV in relation to neighborhood market and goal of stability when determining sales price and assisted financing

Affordability Limits

Price must be affordable to buyers in the market

Price reduction below market value to achieve affordability has impact on neighborhood home values

Subsidy, especially non-amortized secondary financing, an alternative, with amount having impact on length of term for “recapture” requirement

Long Term Affordability of Owner Occupied Housing – Resale and Recapture Provisions

Colorado NSP Program will use Recapture as the affordability mechanism, except for activities involving a Land Trust where a Resale restriction will be used.

The term of the period of affordability will mirror the HOME program requirement:

NSP Funds Invested	Minimum Period of Affordability
Less than \$15,000	5 Years
\$15,000 - \$40,000	10 Years
More than \$40,000	15 Years

The terms of the recapture requirement must meet the following standards:

Follow the provisions in the HOME Program regulation at 24 CFR 92.254(a)(5)(ii)(A); variations require approval from DOH

Base recapture amounts on the net proceeds available from the sale of the property

Net proceeds are defined as: “The net proceeds are the sales price minus superior loan repayment (other than HOME funds) and any closing costs.” (HOME rule 24 CFR 92.254.(a)(5)(ii)(A))

When there are no net proceeds or the net proceeds are insufficient to repay the investment due to the grantee, the grantee can only recapture the net proceeds, if any.

Clearly define distribution of net proceeds when there is a **deficiency** in funds available to pay the amount due either to the homeowner or to the grantee under the terms of the recapture document

Clearly define distribution of net proceeds when grantee – owner sharing is specified and there is a **surplus** above the specific amount due to homeowner or to the grantee under the terms of the recapture document

Program Income (use existing material, as may be amended)

Colorado Neighborhood Stabilization Program

Program Income - Sale of NSP Acquired Property

Property Sold for use as Primary Residence

Net proceeds from the sale of NSP acquired property are Program Income. Grantees and Sub-Grantees will report and document program income following these instructions.

Note: The price of NSP property sold to an owner occupant must be no more than “an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.” (HERA Section 2301(d)(3))

Other Property Sales

Net proceeds from the sale of NSP acquired property are Program Income. Grantees and Sub-Grantees will report and document program income following these instructions.

Examples:

Sale of NSP acquired property that had been operated as rental housing

Sale of NSP acquired property held in a Land Bank.

The limitation on sales price for housing used as a primary residence noted above does not apply to these transactions [housing unit not be used by the purchaser as a primary residence].

Subsequent Sale by Initial Purchaser

The following applies to sale of NSP financed property by the initial purchaser to an unrelated entity. If the sale is to a related entity, e.g. subsidiary or single asset entity controlled by the original entity, all program income provisions continue in full force and effect.

Sale of housing used as a primary residence – Applicable Recapture/Resale provisions apply; otherwise, proceeds are not Program Income.

Other Sales - The seller will be bound by the terms of the applicable provisions of the use covenants and other terms specified at the time of the initial sale by the Grantee or Sub-Grantee.

Timely Notification

Notify CDOH of scheduled closing on the sale of property acquired with NSP funds at least 30 calendar days in advance of the scheduled closing date.

Provide Notice of changes in the closing date as soon as practicable.

Calculation of Program Income

Use the Sales Proceeds Distribution worksheet to identify Program Income due to CDOH from the property sold.

Enter grant information

Complete Section 1.

Provide the worksheet to the closing agent.

Closing agent completes Section 2.

Remittance of Program Income

On all checks transmitting program income, clearly indicate:

“CO NSP Grant # _____.”

Grantees

Ensure that within 3 days of closing, the closing agent remits the Program Income and the completed Sales Proceeds Distribution worksheet to:

NSP Administrative Assistant
Colorado Division of Housing
1313 Sherman Street, Room 518
Denver, CO 80203

Sub-Grantees

Ensure that within 3 days of closing, the closing agent remits the Program Income and the completed Sales Proceeds Distribution worksheet to:

NSP Administrative Assistant
Colorado Division of Housing
1313 Sherman Street, Room 518
Denver, CO 80203

Transmit a copy of the completed Sales Proceeds Distribution worksheet to your Grantee.

Appendix 1 - NSP Sales Proceeds Distribution Worksheet

Grantee	Sub-Grantee
Grant #	Sub-Grant #
Property Address & Identification	NSP Activity Type A-B-C-D-E
Sec. 1. Acquisition-Development-Sales Costs	
CO NSP Funds	\$1.00
Other - specify	\$1.00
Other - specify	\$1.00
Other - specify	\$1.00
Total Development Costs	\$4.00
CO NSP Portion TDC	0.25
Section 2.	
Sales Proceeds Line 603 HUD 1	\$2.00
CO NSP Program Income	\$0.50